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**The Role of
Private Sector
Advocacy
Groups in
the Sahel**

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GEMINI

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The Role of Private Sector Advocacy Groups in the Sahel

by

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SECTION ONE

INTRODUCTION: SETTING THE SCENE

There is increasing awareness of the important role of micro- and small-scale enterprises (MSEs) in the developing economies in sub-Saharan Africa and elsewhere in the world. Through the Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project, the U.S. Agency for International Development is carrying out research to enhance its understanding of the dynamics of MSE creation and growth in order to design and assist more effective programs to support MSE promotion.

Early A.I.D. assistance for MSEs focused on providing financial resources and institutional support through MSE programs. However, A.I.D.-financed research, such as Hernando De Soto's *The Other Path*, the Employment and Enterprise Policy Analysis (EEPA) Project, and the Michigan State University Cooperative Grant Agreement, has documented the great effect that the political and economic policy environment have on the dynamics of enterprise growth and the particularly negative effects on MSEs. Research under GEMINI is taking this a step farther, building on A.I.D.'s earlier research on the factors affecting the dynamics of MSE growth to identify the way the local structures and institutions can be used to promote change and foster an economic environment complementary to MSE development.

Although the impacts of the political, legal, and economic policy environment are well documented, reforming that environment is not a simple process. The dynamics of policy reform are extremely complex with many different obstacles, including the vested interests created by existing policies, the short-term political benefits of maintaining the status quo versus the short-run difficulties necessary to achieve long-term economic efficiency, the difficulties of forging consensus, and the cultural and educational factors that led to the initial policies in the first place. Given these obstacles, the importance of stable, consistent groups that can advocate and continuously lobby for policy and institutional reform becomes obvious.

The Sahel West Africa (SWA) Office of USAID is interested in the process of promoting MSE development in the Sahel region, and has bought into the GEMINI project to provide assistance to the Club du Sahel and to support research on the dynamics of MSE growth in the Sahel. This paper presents a preliminary framework describing the policy reform process and the roles of respective groups in the process for achieving reforms. The paper identifies some of the critical national advocacy groups within the Sahel countries that are involved in policy reform with respect to MSEs. The paper analyzes the interaction and conflicts within these groups, and identifies some of the forces competing with those advocacy groups, as well as other issues surrounding policy reform in the Sahel countries.

This is an initial review whose findings will be complemented (and modified) by the findings from other, more in-depth, studies on MSEs to be carried out by the GEMINI project over the next 18 months. Although most of the other studies will focus on subsector analyses and microenterprise strategies, they will provide further insight into the varying roles of different advocacy groups and factors critical to their effectiveness, building on the framework outlined in this paper. One purpose of the assignment is to begin to determine the relationship between donor agencies and other indigenous advocacy groups. The paper provides concrete examples and evidence of the impact of the policy environment on MSEs. It helps to identify ways to increase and improve the donor's role in promoting reforms affecting MSEs, and also identifies the way donors can adapt their existing projects to play a greater role in the advocacy process.

CONDITIONS FOR PRIVATE SECTOR DEVELOPMENT IN THE SAHEL

The current atmosphere among many countries of West Africa, including the Sahel countries, is one of high tension and demand for political change. For the first time since the early 1960s, the populations are openly clamoring for the right to be heard and to have an impact on the day-to-day rule of their countries. One of the principal causes for this recent turmoil is the weakness of these countries' economies and the increasingly discouraging economic prospects facing the people. Consistently poor management of the state-dominated economies has brought these countries to the brink of economic disaster.

The failure of state-run enterprises (parastatals) to stimulate the economies is finally forcing governments to turn their attention to the private sector as the motor of development. In particular, there is increasing awareness of the important role micro- and small-scale enterprises may play in economic development.

The oppressive political and economic policy environment has an important impact on the dynamics of enterprise growth, and the donors recognize the need to understand the policy reform process in order to enhance it. On other continents, the MSEs are fighting to compete with large-scale enterprises; in the Sahel, the private sector as a whole is fighting for its basic right to compete with the government. Private advocacy groups are just beginning to develop a dialogue with government and fight for fundamental policy change, such as removal of price controls, reducing import restrictions, facilitating registration of companies of all sizes, easing tax policies, and removing interest rate ceilings. These policies handicap all private sector firms, not just MSEs.

Advocates for policies beneficial to MSEs must ally themselves closely with advocates of larger firms to strive for a more liberal environment for the private sector, to gain a seat at the policy table, and to initiate dialogue. Once the policy dialogue is opened, and the private sector is winning greater liberalization in the economy, then more specific dialogue on policies favoring MSEs can be introduced.

What is an Advocacy Group?

Any group that takes a position on the subject of the economic environment can be an advocacy group. It may be a formal public sector agency, a purely private for-profit group, a not-for-profit group, or some group in between. The discussion below reviews many different groups that are playing some formal or informal role in advocating government reform of the policy environment.

SECTION TWO

DYNAMIC OF THE POLICY REFORM PROCESS

THE FRAMEWORK

The process of policy determination and its subsequent reform vary greatly between the countries of the Sahel and the First World countries. The fundamental difference lies in the level of public participation. Although governments in most developed economies are representative, with significant public participation in their selection, the Sahel countries are governed by central bodies with limited grounding in public representation. These central bodies rely on a few principal decision makers to establish policy.

The relative transparency of the process of policy formulation in the First World countries is protected and promoted by both governmental and nongovernmental institutions. These institutions facilitate and guarantee the open debate of important issues that both supports and pressures the policy makers into being responsive to their constituencies. The principal policy makers in the Sahelian countries rely primarily on government institutions and semiofficial organizations that fall under direct or indirect government control for advice and information to help them formulate policy. There is no mechanism to ensure transparency of the process, so the ultimate policies are decided by the few top decision makers.

Figure 1 presents a framework for analyzing the positions and relationships between the different interest and advocacy groups that have a role in influencing policy determination with respect to MSEs and the private sector. At the center of the figure are the decision makers. Around them fall four main categories of interest groups: government ministries with official responsibility for policy analysis and subsequent policy implementation; semiofficial agencies with official ties to the decision makers; bi- and multi-lateral donor agencies that control the supply of development assistance; and, finally, the private advocacy groups.

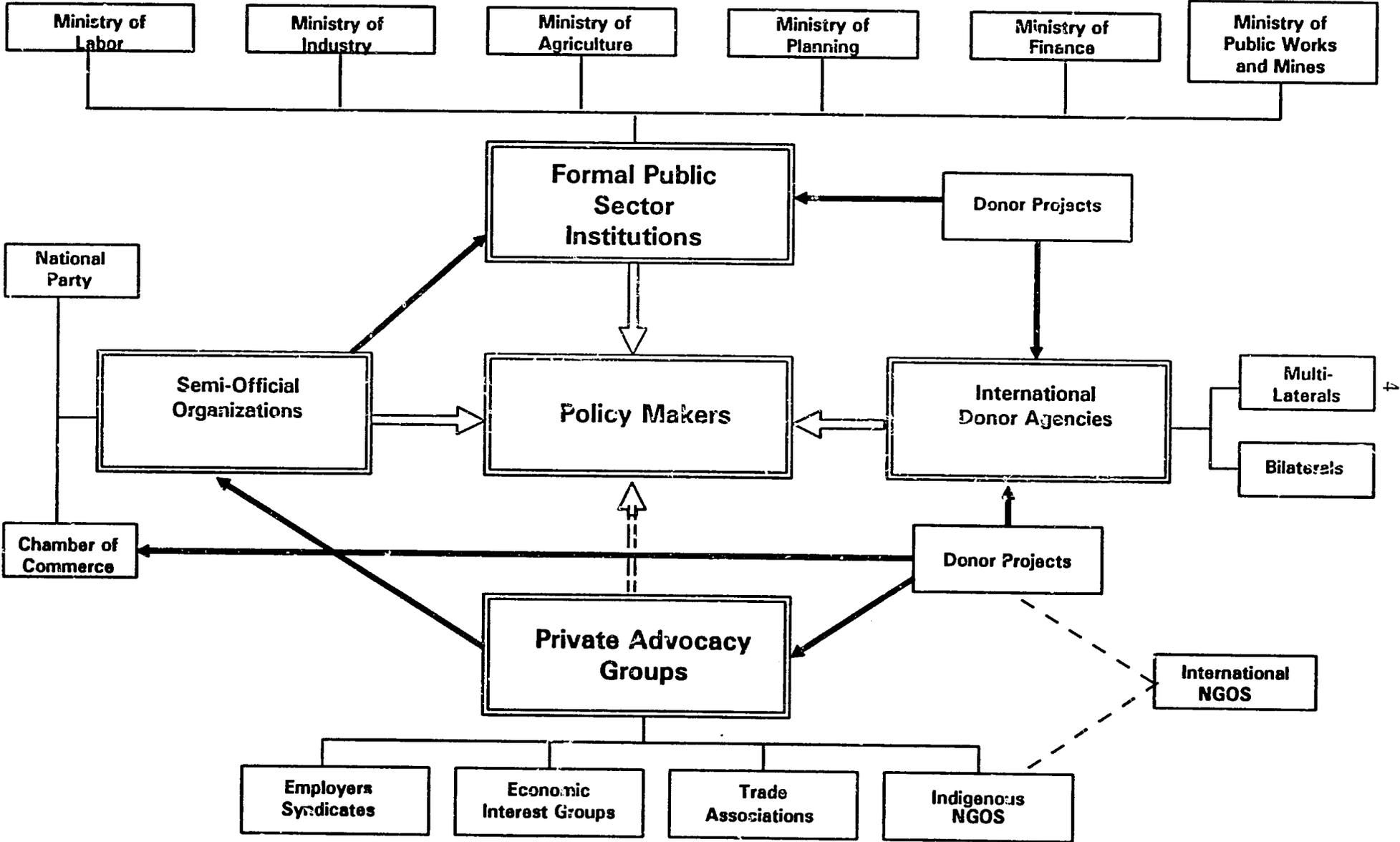
The heavy arrows indicate that formal channels exist only for the first three groups to gain official access to the policy makers. These are the best organized and funded groups with the strongest institutional bases. The private advocacy groups are poorly organized and have few, if any, direct links to the policy makers. This is largely a result of the general weakness and immaturity of the private sector in these countries, but also reflects the exclusion of the local nongovernmental advocacy groups from participation in the decision making process. They are only just beginning to mature as representatives of their interest groups.

THE ACTORS

Policy Makers at the National Level

Given the nature of political structures in Africa, a select group of a few actors are often responsible for policy determination. These policy makers must be sensitized to, and convinced of, the beneficial impact of the proposed reforms. They sit at the top of the political structure and need to

**FIGURE 1
 FRAMEWORK OF ACTORS IN
 DECISION PROCESS FOR SME POLICY**



respond to few constituencies, most of whom are in the public sector and are hence not necessarily sympathetic to private sector issues. The actions of this select group will most likely be taken in response to short-term issues and pressures applied from those different constituencies rather than sound fundamental economic logic.

Formal Public Sector Advocates

Line Ministries and agencies perform the analysis and develop the programs to support and regulate private sector development. Historically, these have been the Ministries of Industry and Commerce to promote private sector development, and the Ministry of Labor to support employment creation.

Recently, there has been a subtle but increasingly important shift toward supporting small-scale enterprise activities. Niger and Burkina Faso provide two such examples with their recently created Direction Général de l'Artisanat split away from the Direction de l'Industrie to address all smaller-scale productive activities. Other ministries have oversight and regulatory roles for MSEs.¹

Identifying the proper role for the government agency is an important step in determining its effectiveness as an advocacy group. The issue of implementation versus oversight and management becomes critical, particularly since it may shape the policies and stance the government agency will take. Agencies busy implementing activities will promote policies to protect or favor their investments and meeting their short-term goals, perhaps to the detriment, over the long term, of private actors and the subsector as a whole.

Semiformal Public Sector Advocates

These include organizations that are nominally independent of the government, but that in reality are closely allied with or financed by the public sector.

Political party. Despite current moves toward democratization and multiparties, each country of the Sahel still has one dominant political party. It supports the officials in power and has a significant impact on the decision-making process. Political parties may gloss over substantive economic issues, but can support issues important to political constituencies. Political parties will often sponsor activities for disadvantaged interest groups such as women, or advocate enterprise creation programs that respond to the pressures of increasing unemployment, particularly among the young school graduates.

Chamber of Commerce. This is nominally the representative body for the private sector, often entitled the Chamber of Commerce, Trade, Industry, and Artisanry. As the formally appointed body for the private sector, it interfaces with the policy makers. Unfortunately, it is usually managed by civil servants appointed by ministry officials, which drastically limits its capacity to conduct policy dialogue.

¹ *The Plan Directeur pour la Promotion de l'Artisanat au Burkina Faso* identifies 13 different agencies with policy or regulatory responsibilities for MSEs.

In Niger, the Chamber sponsored a series of meetings among private businessmen. Policy recommendations were presented to the government for implementation, but, because of lack of real interest within the Chamber to follow through and apply continued pressure on the policy makers, these have yet to result in any policy reforms.

Nongovernmental Organizations²

NGOs can be effective advocacy groups for SME development issues. They provide an organizational structure with grass roots contacts and first-hand experience with the problems small businessmen encounter on a regular basis.

Indigenous PVOs. Local PVOs vary in capacity by country. Niger has only a few extremely weak local PVOs because there was no statute for their existence until just recently. Burkina Faso and Mali have some fairly well organized local PVOs, though financing is a constant problem and internal management is limited. In Tchad, local PVOs are nonexistent. In Senegal, regulations governing the income generating activities of nonprofit organizations make them almost entirely dependent on outside donations, limiting their capacity to finance growth.

Indigenous PVO MSE projects tend to be small, with limited funding and a narrow target group. Such projects, however, still provide concrete examples of the impact of specific policies and highlight opportunities for policy modifications. Indigenous NGOs cannot (with rare exceptions) be expected to develop a direct dialogue with their government, but can serve as valuable links to those groups (such as the donors) who are carrying on the dialogue.

International PVOs. The international PVOs are often the strongest NGOs present in the Sahel countries. They have provided the longest sustained program assistance to indigenous groups with only limited government assistance (intervention). This has provided them with the information and experience base necessary to understand the issues and constraints to SME development from a perspective that can lead to positive change. Dealing from an international base, they are often experienced in negotiating with governments and can bring enough clout and sophistication to gain the ear of the ministries. However, an international NGO's presence is dependent on the invitation of the government, which often puts them in a tenuous position to institutionalize their role as an advocate of policy reform.

Labor Unions and Syndicates. Within the socialistic environment of the Sahel countries, the rights of the workers is an important issue. The labor unions tend to be well organized with respect to other organizations and potential advocacy groups, reflecting their relatively large membership and the official support provided to help them organize.

Trade Associations and Employers Unions. Nominally, these should be the best advocacy groups for the private sector. They cover a wide range of indigenous organizations with greatly varying financing, organization, and management. They often work under the auspices of the Chamber of Commerce, but without direct government intervention.

Across the Sahel, the most effective advocacy groups, in general, have been the Employers Unions (*Patronats*) representing the largest companies. They have the greatest economic and political

² The terms NGO and PVO (private voluntary organization) are used interchangeably in this paper.

clout as well as the managerial capacity to understand and the know-how to address the strategic management issues of importance to the private sector.

In Niger, the Syndicat Patronal (SPEIN) is the only private advocacy group that has earned a seat at the Ministry of Commerce's policy coordinating committee, but has had relatively little impact on shaping policy. The other trade associations are trying to get the SPEIN to act as their spokesman, to bring them added clout.

Efforts are being made to start new associations in Niger, called Groupements d'Intérêt Economique (GIE), which can eventually serve advocacy roles. They currently have no legal statute in the country, which hampers their start-up, but the current repressive environment is forcing the small formal sector entrepreneurs to group together and speak out.

The most striking example of successful trade-association-led debate is in Senegal. The Conseil National du Patronat (CNP) is organizing the debate for freer private sector initiatives and a more liberal policy environment with the government. Part of its success lies in having captured the attention of the policy makers; CNP officially dialogues with senior government representatives, overseen by the President.

Donor Organizations

The Donors can play a major role in promoting policy change in several ways:

- **Projects** can develop and test hypotheses in the field at a micro level that will provide examples of constraints to policy changes and will identify needed policy reforms. In addition, they can develop good working relations between technical assistance and government staff. These projects can be closely tied to the international NGOs that serve as implementing agencies;
- **Programs** with a focus on policy dialogue can negotiate policy reform and serve an educational role in the process of preparing the program; and
- **Direct dialogue** with government officials at the highest levels, either by the Ambassador or directors of aid missions, can provide access directly to the decision/policy makers. Educating these generally sympathetic actors to the real constraints and required policy reforms can turn them into very effective advocacy groups.

Multilaterals. The multilateral donors are represented primarily by the World Bank, the IMF, and the United Nations agencies. They carry a lot of weight in discussions with the government based on the financial resources they can provide for those countries. The World Bank and the IMF, in particular, are concerned with macroeconomic factors and overall growth and less with the effects on particular sectors of the economy. This causes them to focus on policy issues that affect the growth of the economy as a whole.

Heavily focused on structural adjustment in recent years, the World Bank has become far more enlightened with respect to the importance of MSEs and is analyzing methods of improving the environment for stimulating MSE growth. The European Development Fund is also becoming more involved in small- and micro-scale enterprises.

Bilaterals. The bilateral donor agencies rarely have the same clout as the multilaterals in negotiating policy reform because of the limited resources they can offer to the host country governments. Some of the larger programs, such as USAID, are involved in policy reform programs, but usually they take a smaller role in coordination with the World Bank. A far more relevant role for the bilaterals is the inclusion of elements in project implementation that can facilitate policy reform measures.

The agendas of the bilateral agencies are always a little bit muddied by domestic national issues. The desire to promote trade links with their countries and develop joint venture arrangements with local firms may lead some countries to offer concessionary programs that may not be in the best macroeconomic interest, but provide concrete short-term results used for political advantage at home.

In addition, the competitive (often chauvinistic) nature of bilateral programs can lead to special incentives to increase beneficiary participation in a market sometimes saturated with donor projects. For example, MSE programs may be competing for the same clients (small enterprises/entrepreneurs) leading to distorted effects. Coordinated action by bilaterals (and multilaterals) in this area is necessary but not yet under way.

SECTION THREE

SPECIFIC APPLICATIONS OF MSE ADVOCACY EFFORTS

This section reviews the findings from four countries in the Sahel, and looks at actions that agencies and organizations are implementing and at the way these actions interact in the process of advocating for and achieving policy reform. This is not a definitive list of actors or their activities, but provides a starting point for future analysis.

MALI

Mali is one of the most active countries in activities to strengthen or assist MSEs. There are more projects there than in any of the other Sahel countries. This leads to a near saturation of the market for project clients at some levels and creates a situation in which some donor-financed projects compete with one another for the best clients by offering different packages of services. Donors must now coordinate their activities carefully to send a consistent signal to the Malian MSEs as well as to not step on each others toes in implementing their projects. This highlights the need to properly plan one's interventions and to ensure that proper attention is being paid to the development of the enabling environment through increased dialogue.

Formal Government Agencies

The **Ministry of Labor**, through the office of employment, has been wrestling with the problem of increasing unemployment in general and among young graduates in particular. They have put together several programs with the International Labour Organization (ILO) and will soon be working with the Peace Corps to address the problems facing small enterprise creation. Main agenda issues include how they can keep control of the process of new placements in business and the important political issue of new enterprise creation as the source of new jobs.

The **Ministry of Industry** has been trying to tackle the larger problems associated with industrial development and put in place a strategy for industrial development. In 1988, the ministry began preparation of a strategy with technical assistance from the GTZ. At the end of 1990, the exercise ended without a coherent strategy being put in place.

Semiofficial Agencies

Chamber of Commerce. The Chamber of Commerce is sponsoring a small business training program being implemented by Peace Corps in several of the different regional Chambers. The program is identifying and responding to the training needs of small businesses. During the early programs, there was a large felt need for seminars on regulation and to review government policies. Under the program, several meetings were held between local businessmen and officials from the regulatory agencies (customs, the economic police, taxes, and so forth).

The Chamber has been active in organizing trade fairs and other beneficial activities, but has played little role in structuring the policy debate for the private sector vis-à-vis the government.

National Party. Union Nationale des Femmes Maliennes (UNFM), the women's branch of the party, is sponsoring women's income-generating activities in the realm of MSEs. Their active involvement has raised the interest in this subject of both the donors and government agencies. The overthrow of the Traore government, in early 1991, has obviously put the role of the party on hold.

Donor Agencies

The **World Bank** is the principal architect of the structural adjustment program in Mali, which is addressing the overwhelming domination of the economy by state-owned enterprises (SOEs).

The **USAID African Economic Policy Reform Program (AEPRP)** has financed the early retirement of civil servants and has pointed out many of the constraints encountered from the financing side — the difficulty involved, for example, in persuading banks to finance loans for start-up activities by the early retirees.

The **PVO Cofinancing Project** is designed to provide resources to PVOs wishing to enter into MSE programs. This will serve to strengthen their capacity over the long run to organize advocacy efforts and provide good information on the local effects of government policies.

The **DHV project** is working very closely with the private banking sector to develop new financing arrangements for lending to village associations providing rural credit and financing MSEs in the project area. Specific activities include:

- General lending to village associations for agricultural inputs. Repayment rates are over 95 percent, though closely tied to the cotton payments;
- A productive activity loan guarantee program for village associations with five local commercial banks. These loans carry a 45 percent guarantee to the bank from the project for the first loan, 30 percent for the second loan, 15 percent for the third loan, and no guarantee for all subsequent loans; and
- The project is about to enter into an arrangement with the BOAM to provide 50 percent guarantee for loans up to 800,000 CFAF to early retirees from the DHV project.

The principal benefit of the project to date is the development of a positive environment in the financial sector conducive to lending to MSEs. The increased confidence by the banks has led to a small increase in their portfolios for MSE lending. Direct benefits to the policy debate are to supply more accurate information to USAID for its ongoing debate with the government, as well as to show the proper techniques required in setting up similar programs for other government activities.

The USAID centrally funded **PVO Initiatives Project** is working with the CCA³ to help them develop effective management information systems so that they can track the different PVOs in the country and the activities they are undertaking in all of the technical specialties. This is an important

³ The central PVO coordinating group.

activity to strengthen the role of the PVOs. If properly implemented, this MIS activity will provide easy access to lists of PVOs involved in MSE activities so that the PVOs can be called on quickly to participate in any lobbying effort. The CCA itself is not ready to get involved in any advocacy work because it is still trying to establish its credentials.

In addition, the PVO Co-financing Project is now funding NGO activities in MSE development. The role of the NGOs is not to carry out direct dialogue with the government, but donors can use NGOs and their projects as significant conduits of information on the issues constraining MSE development.

The **United Nations Development Programme (UNDP)** has been supporting government efforts to open the dialogue on the private sector (but nothing since 1988), and helped to sponsor the *Table Ronde sur l'emploi*. The UNDP will be a sponsor of an upcoming *table ronde* on MSEs and the informal sector. The UNDP sponsors the **Donors Group on Employment**, which is one of the only forums of its kind in the Sahel. The Donors meet on a monthly basis to discuss their activities and the positions they should take vis-à-vis the government on many issues. It is a unique opportunity for sharing information, and has led to the regular meeting of the heads of the individual donor projects, which is helping to address the issue of divergent actions.

The **International Labour Organization** has provided long-term advisors to the Government of Mali to help it design programs to deal with the rising unemployment issue, in particular those of young graduates. In addition, the ILO has been financing a program to help artisans strengthen their organizational structures. This program would allow them to compete for more contracts from the government and to enjoy the advantages of being a more unified group. The program is succeeding in developing a stronger, more cohesive grouping of artisans who are gradually getting better representation vis-à-vis government and large private contracts.

The **European Development Fund (FED) Small and Microenterprise Project** is performing some ground-breaking work in creating new groups and mechanisms for local guarantees of loans. Unfortunately, the project is providing credit at below-market rates of interest and has heavy lending costs because of its initial policy on interest rates. The project is uncovering many large problems presented by the administrative and regulatory structures and is working through primarily informal channels to resolve them. One of the assets of the project, because of its size and effectiveness, is its ability to cut through the bureaucracy to resolve issues.

The **Canadian International Development Agency (ACDI) Projet d'Appui aux Petits et Moyens Entreprises (PAPME)** starts from the hypothesis that there are many medium-scale, start-up enterprise opportunities. ACDI has arranged a financing mechanism through the BIAO where the BIAO puts up 50 percent of the capital for any loan. To date they have financed six projects of 3-18 million CFAF but have had difficulty processing the loans and disbursing them through the BIAO, which did not have the systems necessary to process the loans.

One very important feature of the project is that the BIAO has placed one of its permanent staff members within the project and he is learning the techniques and developing the systems required to evaluate and process small business loans. This direct involvement by the bank, with staff dedicated to the project, is a first among unsubsidized small business lending projects in West Africa.

Private Agencies

PVOs in Mali are just beginning to enter the arena of MSEs. The international PVOs have not had any significant MSE programs in Mali, unlike in the surrounding countries. More activity will begin on this front as the USAID PVO Cofinancing Project gets under way.

Indigenous PVOs have undertaken the start-up of several income-generating activities for their groups, but to date there have been no real enterprise development programs. The PVO coordinating group (CCA) is dynamic in Mali and has 97 members, about half of whom are indigenous PVOs. This is a positive element for developing programs in the future, but they do not yet have the clout to have a voice in policy dialogue. Funding for the income-generating activities has come from the trickle-up program sponsored by the Freedom from Hunger Foundation, OEF for training, and from IVS for resources.

The Association Malienne pour l'Insertion Professionnelle des Jeunes/Groupe des Jeunes (AMIPJ) is probably the most active PVO in this area and is currently studying a program to support microenterprises in the urban area (2.5 million CFAF). They have put together a 6 million CFAF fund to finance enterprise activities for their members and have financed six loans to date. In several of the cases, the PVO has played an instrumental role in interfacing with government officials to get approval or licensing for the start-ups.

A new private investment group starting across West Africa is **La Financière**, comprised of private businessmen and government officials operating in an individual capacity. **La Financière Mali** has yet to become operational but they have studied several large investments.

Catholic Church. The Church is playing a fairly important role in lobbying for change in the political environment. The Church publishes a small unofficial newspaper that raises important questions and pushes some of the issues of political freedom that are necessary to create an environment conducive to free dialogue and open advocacy of policy change.

In conclusion, several Malian government agencies are receptive to assistance for improving the policy environment. Although there is a fairly well developed network of NGOs that could feed them with information, the NGOs are not being tapped. At the same time, there is no well-organized group of trade associations carrying on dialogue with government agencies. Therefore, much work remains to be done toward strengthening the groups in the bottom quadrant of the Figure 1, as well as improving and formalizing their links to the decision makers.

NIGER

One is struck with the increasingly informalization of the private sector in Niger: a growing number of firms are leaving the formal sector, often reappearing in the informal sector. This is a sign of the inadapted and often repressive policy environment governing the private sector.

Formal Government Agencies

Ministry of Plan. The MoP has been integrally involved in small- and micro-scale enterprise issues for many years. In June 1987, it produced the Programme d'Appui aux Initiatives Privées et à la

Création d'Emplois (PAIPCE), which included an early retirement program, financing for studies, a loan program to start new businesses, training, and financing for business advisory services. The PAIPCE has not responded to as many of the problems as expected, largely due to inflexible and overly bureaucratic procedures.

Ministry of Commerce and Industry. In the last two years, the Ministry of Commerce and Industry has divided its Direction Nationale de l'Industrie into two separate Directions dealing with private enterprises, one for industry and one for the promotion of artisanry. The **Direction Nationale de l'Industrie (DNI)** continues to play its role as promoter of the formal industrial sector, but has been reduced in scope with the spinning off of the **Direction pour la Promotion de l'Artisanat (DPA)**.

Separating the DPA from the DNI is a significant move for the Government of Niger (GON). This reflects the importance DPA deserves and acknowledges the fundamentally different problems facing artisans and MSEs from those facing larger industries. The DPA is in the final stages of developing a strategy to address the constraints facing artisans, with the assistance of an ILO advisor.

An important issue that arises is the role the DPA will play in assisting the artisans. Preliminary indications are that the DPA is leaning toward an activist role in trying to manage and implement the assistance itself, rather than playing an organizational and advocacy role. The DPA wants to organize the artisans in Niamey into a precooperative group under its aegis, which will severely detract from the DPA's objectivity in managing its area of responsibility.

Ministry of Agriculture. MOA involvement with MSE activities tends to be through rural income-generation activities linked to agricultural production. Rural cooperatives are close to enterprises and the MOA has a specific role in managing support to the cooperatives. The **Direction des Cooperatives** is supposed to provide technical and managerial support to the cooperatives, including protection of their legally entitled benefits, such as duty free privileges.

Semiofficial Agencies

The Chamber of Commerce Industry, Agriculture, and Artisanry in Niger covers many fronts as its name implies. It has played an important role as a meeting place for private businesses and provides some services for businesses, but has been weak in the follow-up on those meetings and in serving as an advocacy group for the private sector vis-à-vis the government. Private businessmen have put together lists of the major constraints they encounter from the government, most notably in work prepared in early 1987, but there has been little action on the part of the GON to respond to those issues, reflecting the lack of concerted lobbying by the private sector.

The Chamber provides several services such as the export information center, the library/documentation center, and business development services. It has an analytical section that follows some of the laws and policies being pursued and provides advice to businessmen who come in for specific information on taxes and legal issues. But the Chamber has not fulfilled its potential role as a leader in pushing and following up on the dialogue with the GON.

Donors

IBRD. The World Bank, through its structural adjustment program, has forced the GON to pursue one of the more radical programs of divestiture and liberalization in the Sahel. The

implementation of policy reforms includes the gradual removal of price controls and reducing government intervention in the heavily state-controlled economy.

These policy reforms have been achieved through negotiation with the government, but also with some arm twisting on the part of the Bank and the IMF. One of the side results is the less than optimal series of privatizations carried out by the government in 1986. These provide some good lessons in how poor implementation of policy reforms can lead to negative effects on the economy and create ill will toward the program of (needed) policy reform.

USAID. The USAID African Economic Policy Reform Program (AEPRP) for Niger focuses on business and tariff constraints to private agricultural development. These issues are good examples of policy items that affect businesses of all sizes across agricultural and industrial sectors. The reform elements involve price controls, tariff regulations, road and movement controls, information dissemination, and improved monitoring and evaluation systems for the Ministry of Commerce and Industry. Though focused on the agricultural businesses, the policy reforms benefit all private enterprise activities.

Under the Agricultural Sector Development Grant I & II (ASDG), USAID has been lobbying for an improved business environment for agriculture. To prepare the second phase of the program, USAID has studied the role of rural nonfarm enterprises in the local economies and has identified several policy reforms that need to be implemented. The in-depth survey and subsector analyses provide some of the most thorough analysis to date of microenterprises in the Sahel.

International Labour Organization. The ILO's involvement has been primarily through its Artisan Project, which is financed by USAID under the ASDG I. The project identifies many important policy constraints for the debate with the GON. Unequal taxation for the ox carts compared to motorized vehicles, taxes on signs that advertize an enterprise's location, and other disincentives have surfaced through this project.

European Development Fund. The FED has started a program called the Groupements d'Intérêt Economique (GIE). It is a misnomer because they are not building strong *groupements*, since there are no formal GIEs, but are working with organizations within different subsectors. Subsectors they are trying to strengthen include tourism and hotels, artisanry, skins and hides, fruits and vegetables, and textiles. The project works directly with enterprises, providing consulting services to identify management problems and help in solving these problems. This process can, and should, identify policy constraints that cause some of the problems enterprises are facing in these subsectors. The program also has the capacity to develop and strengthen trade associations, as the name implies.

French Assistance. The French provide two long term technical assistants to work with the Chamber to provide information on joint venture development with French firms and all of the different programs the French make available, such as the Patronat, the PROPARCO (investment/equity funding), and insurance programs for French firms wishing to invest in developing countries.

Canadian Assistance through ACDI has been limited, but they are planning on preparing a Projet d'Appui au PME (PAPME), similar to the one it has in Mali.

Private Agencies

Syndicates. Niger has a wide range of syndicates covering taximen, merchants, small businesses, and large businesses. The taximen's and merchants' syndicates have been effective in lobbying the government for specific reforms (or to prevent changes in existing policies such as a new rate structure for taxis). The Syndicat National du Patronat des Moyens Entreprises et Industries Nigériens (SYNAPMEIN) represents primarily small contractors in the construction sector and although it has not achieved any role as a representative advocate of the sector, it provides preferential access to some of its members.

The Syndicat du Patronat des Entreprises et Industries Nigériens (SPEIN) is the only organization to achieve a level of independent credibility and legitimacy that allows it to participate in the wider arena of policy formulation. As the representative of the largest industries, the SPEIN has the resources to perform analysis on the impact of proposed laws and try to defend the interests necessary to create a better environment. They have earned a seat on the Ministry of Industry and Commerce's policy review board for new laws. Although they have had little impact to date, other syndicates have approached them to serve as their representatives vis-à-vis the government.

Groupements d'Intérêt Economique. This is a new form of association, organized around particular areas of interest, to serve as support groups for each other. There is at present no statute to officially recognize such an organization, though there is one that has formed unofficially and is trying to gain recognition. In addition, the EEC project is supposed to be working with them. A GIE would provide a combination of cooperative services for its members, such as cheaper faxes, telephones, and telex, but would also be able to serve as an advocacy group to represent the interests of the members before the government, a service that neither the SPEMEIN nor the Chamber of Commerce has succeeded in doing for them.

Private Voluntary Organizations

The **Groupe d'Aides Privés (GAP)** now comprises about 50 members, for which it plays a coordinating role. The membership is largely international PVOs because, until recently, there has been no statute for indigenous PVOs. There are now officially two indigenous PVOs, and many others that have submitted requests to the PVO office in the government. However, the indigenous PVOs have no capacity to carry out any advocacy role at present and will be dependent on their association with GAP for significant assistance.

The **CLUSA** program is one of the oldest ongoing international PVO programs in the country, trying to work with the local banking system. CLUSA is having little success in getting the formal banking sector to accept responsibility for lending in the rural areas. They have had little impact on the policy debate.

WOCCU has undertaken the first savings mobilization program in Niger. Based in Zinder, they are trying to apply positive real interest rates to savings. They have an open line of discussion with the Ministry of Finance on the subject of interest rates in general.

The **CARE MSE** program, based in Maradi, focuses on implementation, but coordinates with the office in Niamey to address policy issues at the national level. In particular, they have been dealing with the Ministry of Finance for trials with higher interest rates for lending to MSEs through the Caisse National d'Epargne. They are trying to put together a program that will experiment with a 36 percent

interest rate, which they calculate to be sufficient to cover their costs. They are also working closely with the WOCCU team leader in their dialogue with ministry officials. In addition they are working with the heads of the DPA and the Direction pour la Promotion du Commerce (DPC) to address specific policy constraints that arise.

BURKINA FASO

Burkina Faso is in a very different situation from its neighbors Niger and Mali. The two changes of government in the 1980s brought in a government that was socialistic and anti-private sector. The changes in government also brought in a new, younger, generation of government officials, without as many vested interests and apparently willing to change to meet the challenges of the future.

Formal Government Agencies

The Ministry of Plan and the Presidency are in the midst of studying the MSE sector to determine how to organize programs and projects that will create 3,000 new jobs, ideally in the formal sector. Still in the planning phases, the studies being carried out are identifying many of the policy and structural constraints to the development of the private sector that must be resolved.

The Ministry of Promotion Economique is in the throes of assessing which of its parastatals should be privatized, under pressure from the World Bank. This is being handled mainly under the Direction du Développement de l'Industrie (DDI). A relatively new creation within the Ministry is the Direction de l'Artisanat (DA), which was created to handle the coordination issues between ministries and to promote development of the artisan sectors.

The DA is still in the organizational phase, but has been receiving steady assistance from the GTZ. In its *Plan Directeur Pour la Promotion de l'Artisanat au Burkina Faso*, the DA raises many of the critical points facing MSEs, including the fact that, in some way, 14 different ministries are involved in providing assistance to or regulating the different artisan activities (many of which can be considered MSEs). In addition, a large number of NGOs are involved in some form with MSEs. These agencies and NGOs need to coordinate their activities better to address the most appropriate questions in a consistent and orderly manner, thereby using better the precious resources available to these organizations.

The DA has yet to get beyond the *Plan Directeur* in its activities, but it is planning on carrying out subsector analyses to identify where the greatest potential for growth is located. An important point, which may be ignored by the DA, is that their role will probably be most effective if they remain in the coordinating role, communicating with all the other interested parties, while not intervening directly. It will be hard for them to limit their activities to the advocacy and promotion, although they should try.

Semiofficial Agencies

The **Comité Révolutionnaire Economique et Sociale (CRES)** was created in the early days after the revolution to provide a forum for dialogue and debate between the private sector and government representatives. CRES enjoys a unique status in that it does not depend on any ministry. The focus of this organization has changed with time and with its leadership. It appears to have lost some of its initial drive.

The **Burkinabé Chamber of Commerce** is one of the strongest Chambers in West Africa. It is a profit-making entity and is well financed. The Chamber has historically targeted larger firms, but is currently pursuing the development of a unit to support the informal sector and small enterprises. This unit could very well play an active role in identifying policy problems and putting them on the table. Unlike CRES, the Chamber falls under the supervision of the Ministry of Commerce and hence can be blocked by internal ministerial instructions.

Donors

There has been relatively little formal donor activity with respect to the private sector because this was not one of the priorities of the GOBF in the last six years. All the same, the donors are beginning to take an increasing interest as the GOBF has been modifying its approach over the past two years.

The **IBRD** is negotiating their Structural Adjustment program and, therefore, it is in an ideal position to insist on appropriate policy reforms affecting the private sector. The **FED** has done little to date, but is interested in trying to replicate its Mali MSE project in Burkina. The preliminary project paper is being studied, but presents little concrete promise for success.

The **UNDP** is providing assistance to the design process under way in the Presidency and at the Ministry of Plan to develop new enterprise development programs that will generate several thousands new jobs. Although the UNDP is financing many of the studies under this activity, it remains primarily a GOBF undertaking.

USAID has minimal resources to apply to advocacy activities. Its emphasis is on agriculture and natural resource management, but it is helping the Chamber of Commerce to better focus proposed Chamber activities in the private sector through a series of subsector studies and helping to finance entrepreneurship activities. The subsector studies will probably generate more data on specific policy issues that will need to be addressed, as well as to make the Chamber more aware of the necessity for developing an advocacy role.

The majority of **French Cooperation** relevant to the private sector is being carried out through the CCCE. This organization has provided support to the Chamber of Commerce and some funding to PRODIA, but has not been active in pursuing regulatory or policy reform.

The **Canadian aid program** is starting a new small business project proposed by the Société de Développement Internationale DesJardins (SDID). The project will be working directly with the handful of small modern enterprises to provide them with direct technical and financial assistance. It should uncover many useful regulatory constraints that hinder the growth of modern private businesses.

Nongovernmental Agencies

PVOs are active in Burkina Faso. Literally dozens are involved in efforts related to MSE development and a few have made a significant impact in providing planners with excellent raw data for use in the policy development process. Two principal PVOs stand out: the SDID and PRODIA.

The SDID has successfully sponsored rural savings and credit associations (Caisses d'Épargne et de Crédit) for the past 10 years, and has recently initiated the program in Ouagadougou to see if the credit associations can replicate their success in an urban environment. Surprisingly, the Caisses developed under the SDID project have accumulated savings amounting to 700 million CFAF. The amounts of credit distributed are much smaller, with the majority of the savings being placed in the formal banking system and money market to earn interest. The interest charged by the Caisses on loans to their members is 16 percent, higher than the official rate, and yet they have achieved repayment rates of over 90 percent by carefully managing the repayment process.

The lessons learned from this activity should be promoted publicly to show that such activities can work, what the critical success factors are, and what limits can be expected in these projects, such as not confusing the success with savings generation with trying to develop a large credit program.

PRODIA is an NGO receiving French and German support that lends to small businesses. Its loan portfolio is stable and it is now lending only to existing clients because of a shortage of capital. The costs to accessing the program are 12,000 CFAF in charges to prepare the documents and 12 percent interest charged on a declining balance basis that has been simplified to a straight 6 percent in the repayment process. PRODIA lends \$800,000 year, but has been unable to expand its lending because of shortage of capital. The important lesson coming from many of the borrowers is that, as the only source of loan funds to MSEs, PRODIA is charging too little money to develop and expand its lending to meet the needs of potential borrowers.

TCHAD

Tchad remains under constant change with a new regime in power that replaced the Hissene Habré government. The information presented below on groups with advocacy roles in Tchad was collected under the Habré government, so things may have changed, but this is doubtful.

Coming off of the years of civil war, the formal Tchadian private sector was virtually nonexistent. The uncertainty created by the war caused many enterprises to stay as liquid as possible, not investing in fixed productive capacity. With little government to dialogue with, and with a barely existent private sector, the situation is truly the least developed in the Sahel region.

Formal Government Agencies

At present, the formal government agencies appear to be doing little in pushing private sector issues. The agency with the greatest active link to MSEs is the Office National de Développement Rural (ONDR), which is dealing with artisans in the rural areas to determine how to make them stronger service providers (repairs and so on) in support of agricultural production.

Semiofficial Agencies

The **Chamber of Commerce** in Tchad is a public sector entity (part of the Ministry of Commerce) run by a civil servant. It comprises a general assembly with nine specialized commissions that address such issues as taxes, transport, and the commercial code, but has no consultative role vis-à-vis the GOT.

Donors

The **UNDP** sponsored a *table ronde* on the private sector in October 1988 as part of the Africa-wide UNDP initiative, but has done little since then to formalize the discussions and perform follow-on activities.

The **IBRD** is implementing its Structural Adjustment Program in Tchad and will be financing some of the VITA operations for SME development in the near future.

USAID is assisting the VITA project with financing, but that is the extent of its assistance toward stimulating advocacy groups for the private sector. The Sahel Regional Financial Management Program did some work through cooperatives to try to reach private businesses with training programs, but with limited success. They did foster contacts with those groups that could be developed, to strengthen the role of the cooperatives as advocacy groups.

USAID is just starting the Agricultural Marketing and Technological Transfer Project, which has a significant component on reforming policies that hinder private entrepreneurs from operating off-farm enterprises.

Private Agencies

Cooperatives play a very interesting role in Tchad. Until recently they served as trade associations controlling many of the economic sectors of the country. Over 50 of them, at varying levels of development, organized small enterprises in their respective sectors (such as bakers, butchers, taxi drivers, and truck transporters). The cooperatives reached significant levels of controls within their subsectors, setting prices and restricting entry into the subsector.

Recent World Bank agreements with the GOT have called for the disbanding of the cooperatives, because they were less like cooperatives than officially sanctioned regulatory bodies that were setting their own prices from a monopoly position. As a result of the disbanding of these cooperatives, prices for services such as transport have dropped significantly with the loss of monopoly rents.

The cooperatives can still play an important role in carrying on a dialogue with government policy makers, but from a different position: they will not be the sole legal representative but will dialogue with the government regulatory bodies (as they develop). If this works as planned, it will keep the proper balance between the roles of the state and the private sector.

International PVOs in Tchad are in a difficult position. They are implementing the brunt of the development assistance that is being carried out in the country. In the small enterprise arena, VITA dominates all other groups and has achieved a certain status in the eyes of the international donors as well as the GOT. The important role the project is currently playing as the only option that approximates

development banking in the country provides them with high visibility and should provide them with some leverage at the bargaining table.

Although they have not made a conscious effort to try to achieve policy reform, VITA has had to fight the GOT stance that because VITA is a PVO, it cannot charge interest fees on its loans. This GOT attitude that PVOs are supposed to provide resources for free reflects the generally poor understanding by the GOT on the issues surrounding MSE development and sustainability. The VITA experience highlights some of the important policy discussions that need to take place with the GOT.

CARE is getting involved with MSEs but believes that its position in the country is still tenuous enough that it will not play a role as an advocacy group to promote policy reform. Should issues arise that require debate with the government, CARE will pass the responsibility on to the major donors.

OXFAM is a significant donor group in Tchad and had sponsored a study on metal and woodworkers in Ndjamena to see if OXFAM should organize a project in support of the artisans. OXFAM determined that the artisans' activities were too far removed from OXFAM's main agenda.

Indigenous PVOs are nonexistent, with several groups or associations claiming to be PVOs to get donor funding. Groups such as OXFAM have had difficulty identifying sound local groups with which to work. The strongest indigenous PVO is the SECADEV, recently evolved from the Catholic PVO CARITAS. In addition to SECADEV, some local PVOs dealing with MSE activities are ASSAILED, which is providing credit and attempting savings mobilization with 40-45 rural groups, and ARPES.

The Centre National du Patronat Tchadien is just getting underway with assistance from the French Patronat, so has played no role to date.

SECTION FOUR

INCREASED ROLE FOR DONOR INTERVENTION

It is clear from the results of the past few years that the dialogue on policy reform for the private sector is increasing. However, it is still limited by many factors: unsympathetic government officials with different political agendas, overreliance on government agencies to decide the policy environment, weak indigenous advocacy groups, lack of concrete information on policy constraints and the potential impact of reform, and strong labor unions. With general problems facing the private sector, the dialogue related to MSEs necessarily takes a back seat until the broader environmental issues are addressed. There are many areas where the donors can intervene to simultaneously strengthen the dialogue for policy reform and play a greater role in strengthening advocacy efforts.

1. STRENGTHEN INDIGENOUS NONGOVERNMENTAL ADVOCACY GROUPS

Donor agencies have historically provided institutional assistance to government-sponsored institutions. It is increasingly apparent that while government institutions supporting private sector activities need to be strengthened, government units are necessarily limited as advocates of policy reform because of their simultaneous roles as regulators and promoters. Therefore, the donors need to provide more direct assistance to NGOs to provide them with the organizational capacity and the resources to pursue the issues that the donors identify as important.

The framework presented in this document can serve as a tool for the donor agencies in determining which advocacy groups it should support and the particular roles for each of those groups to play in the larger picture. Given the nascent nature of private enterprise in the Sahel, the nongovernmental groups with the greatest likelihood of achieving a serious dialogue with the government and any significant impact in the short run are the representatives of the large enterprises, usually the *patronats*. This points to strengthening the *patronats* in the first phase, and then using them as leverage points to include issues of other private sector groups. Until the larger enterprises have achieved some form of advocacy and developed the channels to present their issues to governments, there is little chance for the MSEs to gain any access to the policy dialogue table.

If the *patronats* are to serve as a key link to develop the initial dialogue with the government, they will need significant support from other members of the private sector community. The donors can play an important role by identifying and supporting appropriate roles for the other groups, allowing them to promote the dialogue process in a constructive manner. As noted above, the domestic and international NGOs, the Chambers of Commerce, and the relevant ministries bring specific attributes, both strengths and weaknesses, to the process. These should be clearly understood and pieced in to provide a supporting framework for private sector advocacy.

2. **IMPROVE THE ROLES OF EXISTING, NON-MSE-SPECIFIC PROJECTS IN THE POLICY REFORM PROCESS**

Within the structure of existing donor projects, much room exists for strengthening capacity to pursue the advocacy process.

Provide concrete examples of policy constraints. Projects often encounter the day-to-day problems facing the private sector and are in a position to document and analyze them as items for policy reform. However, this function is rarely built into projects. Donor projects should be aware of the need to identify and document policies that serve as constraints to MSE development.

Completed project should leave systems in place that will enable interested groups to measure the impact of policy constraints. Good data collection systems are scarce in the Sahel countries, and yet reliable data is necessary for the time series analysis required to measure impact. Donor projects are in an ideal position to develop at least the baseline data necessary to measure policy effects in the future.

Training local counterparts and officials. Sensitization of host country officials to the beneficial role of the private sector, through tours to other countries or special programs, will serve to diffuse the adversarial relationship between government and the private sector. Even if these officials move to other posts, it will be an important effort in developing the critical mass necessary to pursue effective policy implementation over the long run.

Develop local capacity to pursue the process. Projects should include efforts to expand beyond the governmental institutions they are dealing with and to develop at least the seeds of private local advocacy groups that can follow up on actions begun under the projects.

Greater coordination among the donors. Lack of coordination among the donors often leads to competing projects pursuing conflicting policy agendas. We do not fully understand the environment surrounding MSEs, so continued experimentation is necessary to identify the best techniques and methods to assist them. However, the donors must present a cohesive front on those policies that are agreed on as necessary for sound growth, such as market rates of interest, and effective collaboration should be ensured on other trial projects.

3. **CONTINUE TO PURSUE DIRECT DIALOGUE WITH HOST COUNTRY GOVERNMENTS**

Donors have applied sustained pressure over recent years to promote policy reform. Many host country government officials claim the major reforms have been made, at least on paper, and therefore the issues do not need as much attention. However, many reforms still need to be implemented, as well as ensuring the implementation and respect of the enacted reforms. Private advocacy groups must carry on much of this dialogue and ensure that the policy reforms are respected. However, until they are strong enough and well enough organized to establish direct dialogue with the policy makers, the donors must be aware that they may need to serve as spokesman for the private sector and for MSEs in particular.

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